

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-03 INR-11 NSAE-00 RSC-01 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 NEA-14 IO-14

DRC-01 /183 W

----- 062586

P 010739Z AUG 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 5689

INFO AMEMBASSY SEOUL PRIORITY

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USADB

FOR NAC AGENCIES

E.O. 11652: DECLAS 10/31/74

TAGS: EAID, EFIN, KS

SUBJECT: PROPOSED ADB LOAN FOR SECOND HIGHWAY PROJECT-KOREA

SUMMARY: ADB MANAGEMENT PROPOSES \$10.0 MILLION EQUIVALENT LOAN FROM ORDINARY CAPITAL RESOURCES TO GOVT OF KOREA TO FINANCE FOREX COST OF IMPROVEMENT OF SUWEON-INCHEON ROAD AND ANYANG-NONGOGRI ROAD, CONSTRUCTION OF NEW SINWEOLDONG-GURODONG HIGHWAY, AND CONSULTING SERVICES. PROJECT AREA IS WITHIN TRIANGLE BOUNDED BY SPECIAL CITY OF SEOUL AND CITIES OF INCHEON AND SUWEON. PROJECT WILL ASSIST DEVELOPMENT POTENTIAL IN CAPITAL REGION AND WILL SERVE RURAL AS WELL AS INDUSTRIAL DEVELOPMENT. USADB RECOMMENDS FAVORABLE NAC ACTION.

1. ADB DOC R72-74 WITH ATTACHMENTS DESCRIBING PROPOSED

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LOAN POUCHED ADDRESSEES JULY 30. BOARD CONSIDERATION

SCHEDULED AUG 20.

2. ADB MANAGEMENT PROPOSING \$10.0 MILLION LOAN FROM ODINARY CAPITAL RESOURCES TO GOVT OF KOREA FOR SECOND HIGHWAY PROJECT. PROCEEDS WILL FINANCE FOREX COST OF IMPROVEMENT OF TWO EXISTING GRAVEL ROADS -- HIGHWAY 42 (SUWEON TO INCHEON) AND HIGHWAY 397 (ANYANG TO NONGOGRI) TO TWO-LANE STANDARDS WITH ASPHALT-CONCRETE PAVEMENT; CONSTRUCTION OF SINWEOLDONG-GURODONG HIGHWAY TO FOUR-LAND STANDARDS; AND CONSULTANT SERVICES. PROPOSED TERMS ARE 23 YEAR AMORTIZATION INCLUDING 3 YEAR GRACE PERIOD. INTEREST TO BE AT RATE PREVAILING AT TIME OF LOAN APPROVAL. REPUBLIC OF KOREA TO BE BORROWER AND MINISTRY OF CONSTRUCTION (MOC) THE EXECUTING AGENCY.

3. IN AUG 1972, BANK APPROVED TECHNICAL ASSISTANCE GRANT OF \$47,800 TO FINANCE TWO EXPERTS TO ASSIST KOREAN CONSULTANTS IN PREPARING FEASIBILITY STUDY FOR DEVELOPMENT OF ADDITIONAL ROAD FACILITIES IN SEOUL-INCHEON-SUWEON TRIANGLE. GOVT HAS ACCORDED HIGH PRIORITY TO CONTROL OF POPULATION INCREASE IN SEOUL AND TO REDEVELOPMENT OF METROPOLITAN AREA TO ACCOMMODATE FURTHER GROWTH IN AREA. CONSULTANTS CONCLUDED THAT PROPOSED ROAD DEVELOPMENT PROJECT SHOULD BE UNDERTAKEN ON PRIORITY BASIS.

4. IMPROVEMENT OF 43 KM SUWEON-INCHEON AND 6 KM ANYANG-NONGOGRI ROADS WILL SIGNIFICANTLY ASSIST GROWTH POTENTIAL OF AREA. EXISTING ROADS HAVE POOR DRAINAGE, SOME DANGEROUS SHARP CURVES AND EXTREMELY ROUGH GRAVEL SURFACE WHICH CAUSE RAPID DETERIORATION OF VEHICLES USING ROADS. SINWEOLDONG-GURODONG HIGHWAY (ABOUT 9 KM) WILL FORM PART OF FUTURE SEOUL RING ROAD, ABOUT 10 KM FROM CENTER OF CITY, WITH TOTAL LENGTH OF 82.8 KM OF WHICH 22.6 KM IS NOW OPEN TO TRAFFIC. IT WILL PERMIT DIRECT ACCESS FROM EXISTING SEOUL-INCHEON EXPRESSWAY IN OUTSKIRTS OF SEOUL TO SEOUL-BUSAN EXPRESSWAY. PROPOSED HIGHWAY WILL FACILITATE TRAFFICE MOVEMENTS IN SOUTHERNSUBURBS OF SEOUL, CONNECT HOUSING AND INDUSTRIAL COMPLEXES AND HELP REDUCE TRAFFIC CONGESTION WITHIN SEOUL CITY.

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5. TOTAL COST OF PROJECT IS ESTIMATED AT \$23.4 MILLION EQUIVALENT WITH \$10.0 MILLION FOREIGN EXCHANGE COMPONENT TO BE FINANCED BY BANK. GOVT WILL FINANCE \$13.4 MILLION EQUIVALENT LOCAL CURRENCY COMPONENT. HIGHWAY SPECIAL ACCOUNT OF NATIONAL BUDGET WILL PROVIDE FUNDS FOR SUWEON-INCHEON AND ANYANG-NONGOGRI ROADS, WHILE SPECIAL CITY OF SEOUL WILL MAKE FUNDS AVAILABLE FOR SINWEOLDONG-GURODONG HIGHWAY. FOREIGN EXCHANGE COMPONENT OF CIVIL WORKS IS

ESTIMATED AT 52 PERCENT OF TOTAL COST OF CIVIL WORKS,
ASSUMING ALL CIVIL WORKS CONTRACTS WILL BE EXECUTED BY FOREIGN
CONTRACTORS. IF ALL CIVIL WORKS ARE AWARDED TO DOMESTIC
CONTRACTORS, COMPARABLE FOREIGN EXCHANGE COMPONENT WILL
BE REDUCED TO 42 PERCENT OF TOTAL. TO EXTENT CIVIL WORKS
ARE EXECUTED BY DOMESTIC CONTRACTORS, FOREIGN EXCHANGE COST
OF CONSTRUCTION WILL BE REDUCED ACCORDINGLY.

6. FOREIGN CONSULTANTS WILL BE ENGAGED, IN ACCORDANCE WITH
BANK'S GUIDELINES, FOR DESIGN AND CONSTRUCTION OF SINWEOLDONG-
GURODONG HIGHWAY, PREPARATION OF TENDER DOCUMENTS AND CONS-
TRUCTION SUPERVISION, WITH DOMESTIC CONSULTANTS WORKING
UNDER SUB-CONTRACTING ARRANGEMENTS WITH FOREIGN FIRM. FOR
UPGRADING SUWEON TO INCHEON AND ANYANG TO NONGOGRI ROADS,
GOVT PROPOSES TO ENGAGE DOMESTIC CONSULTING FIRM TO PREPARE
DETAILED ENGINEERING DESIGNS, SPECIFICATIONS AND OTHER TENDER
DOCUMENTS, WITH FOREIGN CONSULTING FIRM REVIEWING FINAL
DESIGN SPECIFICATIONS AND TENDER DOCUMENTS AND ASSISTING
GOVT IN ENGINEERING SUPERVISION OF CONSTUCTION WORK.
CONTRACTORS FOR CIVIL WORKS WILL BE SELECTED, IN
ACCORDANCE WITH BANK'S GUIDELINES, THROUGH INTERNATIONAL
COMPETITIVE BIDDING AMONG PREQUALIFIED CONTRACTORS, AND
THEY WILL PROVIDE REQUIRED EQUIPMENT AND MATERIALS.
PROJECT WILL BE IMPLEMENTED OVER THREE-YEAR PERIOD.

7. ALTHOUGH CONSTRUCTION OF SINWEOLDONG-GURODONG HIGH-
WAY SHOULD BE RESPONSIBILITY OF SPECIAL CITY OF SEOUL,
MOC (AS EXECUTING AGENCY) WILL BE FULLY RESPONSIBLE
THROUGH ITS BUREAU OF PUBLIC ROADS FOR COORDINATING
PROJECT IMPLEMENTATION. HOWEVER, SPECIAL CITY OF SEOUL
WILL PARTICIPATE IN PROJECT IMPLEMENTATION UNDER OVERALL
COORDINATION AND DIRECTION OF MOC. SENIOR OFFICER OF
MOC ACCEPTABLE TO BANK WILL BE DESIGNATED AS PROJECT
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MANAGER. GOVT HAS ASSURED THAT PROJECT, AFTER COMPLETION,
WILL BE MAINTAINED IN GOOD CONDITION AND THAT ADEQUATE
FUNDS WILL BE PROVIDED IN ANNUAL MANTENANCE BUDGETS OF
BOTH MOC AND SPECIAL CITY OF SEOUL.

8. PROPOSED PROJECT CONSIDERED TO BE TECHNICALLY SOUND
AND ECONOMICALLY VIABLE, WITH ECONOMIC INTERNAL RATE OF
RETURN ESTIMATED AT 27.5 PERCENT. PROJECT WILL ASSIST
DEVELOPMENT POTENTIAL IN CAPITAL REGION AND WILL HAVE
FAVORABLE IMPACT ON RURAL AS WELL AS INDUSTRIAL DEVELOP-
MENT. PROJECT WILL ALSO COMPLEMENT TWO OTHER BANK-
FINANCED PROJECTS IN AREA - SEOUL-INCHEON EXPRESSWAY
AND INCHEON PORT DEVELOPMENT. USADB SUPPORTS PROPOSAL
AND RECOMMENDS FAVORABLE NAC ACTION.

9. REQUEST SEOUL'S COMMENTS FOR NAC AGENCIES, INFO
USADB MANILA, PURSUANT TO STATE 119795 DTD 3 JULY
1972.
SULLIVAN

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONSTRUCTION, BANK LOANS, HIGHWAYS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 01 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MANILA09162
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740209-0593
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740882/aaaacsvj.tel
Line Count: 173
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 06 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06-Aug-2002 by kelleyw0>; APPROVED <25 FEB 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROPOSED ADB LOAN FOR SECOND HIGHWAY PROJECT-KOREA SUMMARY: ADB MANAGEMENT PROPOSES \$10.0 MILLION EQUIVALENT
TAGS: EAID, EFIN, KS, ADB-1
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005